## Message Text

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INFO OCT-01 ARA-10 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 CIAE-00 INR-10 IO-13 L-03 NSAE-00 EB-08 NRC-05 OES-07 SOE-02 DODE-00 DOE-11 SS-15 SP-02 CEQ-01 /112 W

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O 220008Z FEB 78 FM AMEMBASSY MEXICO TO SECSTATE WASHDC IMMEDIATE 8441 INFO AMEMBASSY VIENNA IMMEDIATE

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**USIAEA** 

E.O. 11652: GDS

TAGS: TECH, ENRG, PARM, MNUC, IAEA, MX, US SUBJECT: URANIUM SHIPMENTS TO MEXICO

REF: (A) STATE 41422 (NOTAL), (B) MEXICO 2856,

(C) MEXICO 2963, (D) MEXICO 2966

- 1. REFTELS (B), (C), AND (D) WERE PREPARED PRIOR TO RECEIPT OF REFTEL (A), BUT ARE GERMANE TO THE ISSUES RAISED THEREIN AND HOPEFULLY PROVIDE SOME USEFUL INSIGHT INTO THIS PROBLEM.
- 2. RE SUBPARA (1B) OF REFTEL (A), WE DON'T THINK THE GOM IS CONFUSING SAFEGUARDS AND SECURITY. WE THINK GOM APPRECIATES NEED FOR ADEQUATE PHYSICAL SECURITY. WHETHER OR NOT THE VISIT OF THE US TEAM IS AN "INSPECTION TRIP," GOM SEEMS TO RESENT IT AS HOLDING POTENTIAL FOR VETOING ONE OR MORE EXPORT LICENSES SOMETHING GOM IS UNWILLING TO ACCEPT AS A MATTER OF PRINCIPLE. MEXICANS REALIZE US HAS MADE SUCH VISITS ALL OVER THE WORLD, BUT MAKE DISTINCTION THAT IN ALL OR PRACTICALLY ALL SUCH CASES WE WERE DEALING WITH CONFIDENTIAL

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COUNTRIES WITH WHICH WE HAD BILATERAL AGREEMENTS, SOME-THING WHICH IS NOT TRUE IN CASE OF MEXICO.

3. RE THE FOUR OPTIONS FOR SATISFYING U.S. REQUIREMENTS RE TRANSFER AND REPROCESSING PRIOR TO FUEL DELIVERY, WE DON'T THINK GOM WILL LIKE ANY OF THEM. (IF THE US-IAEA AGREEMENT IS AMENDED, WE ARE NOW NOT CLEAR AS TO WHETHER

THIS WOULD AUTOMATICALLY BE APPLIED RETROACTIVELY TO THE LAGUNA VERDE CASE. REFTEL IMPLIES PERHAPS NOT, BUT THEN, WE ASSUME THAT EXPORT LICENSE ISSUANCE WOULD NOT BE POSSIBLE REGARDLESS WITHOUT MEXICAN GRANTING OF RETRANSFER AND REPROCESSING APPROVAL RIGHTS TO U.S. WOULD APPRECIATE DEPARTMENT'S LEGAL OPINION ON THIS.)

- 4. EMBASSY IN COMPLETE AGREEMENT WITH PARA 3 REFTEL (A). TOUCHINESS OF ISSUE TO MEXICO IS EXPLAINED IN DETAIL IN REFTEL (D).
- 5. AFTER LENGTHY PLAY HERE WE HAD REPORTED EARLIER, THE MEXICAN PRESS SEEMS TO HAVE LEFT THIS ISSUE ALONE FOR AWHILE. GOM IS GREATLY CONCERNED, HOWEVER, AS WE HAVE LEARNED FROM CONTACTS BOTH IN FONSEC AND INEN. EMBASSY RECOMMENDATION AT THIS POINT WOULD BE, AS SUGGESTED IN REFTEL (D), TO HAVE A HEART-TO-HEART CHAT SOON WITH GONZALEZ GALVEZ. IN ADDITION, WITH RESPECT TO THE PHYSICAL SECURITY ASPECT OF THE PROBLEM, DEPT AND DOE COULD CONSIDER WHETHER IT MIGHT NOT BE POSSIBLE TO MOVE TOWARD SATISFYING THE US REQUIREMENTS BY ASKING THE IAEA TO PROVIDE ITS GOOD OFFICES TO ARRANGE A MEETING INVOLV-ING U.S. AND MEXICO ON THIS SUBJECT. (COMMENT: POSSI-BILITY EXISTS, OF COURSE, THAT AGENCY WOULD WISH TO ARRANGE THIS ON A SUB-REGIONAL OR WIDER BASIS, AND WE SHOULD, IF WE FOLLOW THIS OPTION, BE PREPARED TO SUGGEST CONFIDENTIAL

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A LIMITATION OF SOME KIND ON SIZE OF MEETING, E.G. SO AS TO AVOID PARTICIPATION OF CUBA IF AT ALL POSSIBLE.) OPTIMALLY, IT COULD BE JUST AN IAEA-U.S.-MEXICO MEETING WHICH COULD CONCEIVABLY BE HELD HERE AND MEET ALL THE USUAL OBJECTIVES OF A PHYSICAL SECURITY TEAM VISIT. THOMPSON

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